Value of organisational culture

Culture's value relative to all organisational priorities

- Top 1
- Top 3
- Top 5
- Top 10
- Not in the Top 10

0% 10% 20% 30% 40% 50% 60%
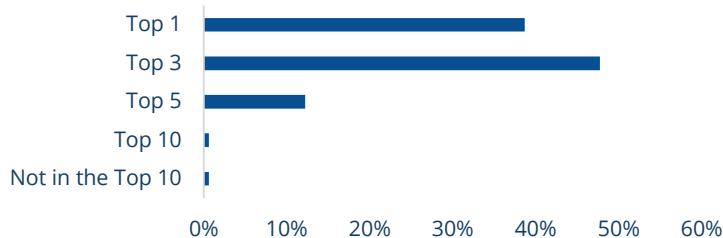
86% of leaders in organisations with 10-19 employees rank culture among the top three value drivers, similar to all NFPs. Slightly more rank culture as the top factor (39% vs. 34%).

Value of improving culture

Improving culture will increase value to primary beneficiaries

5%

95%

■ Yes ■ No
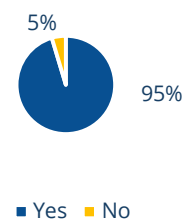
95% of leaders believe improving culture will increase value for the primary beneficiaries they serve, matching the overall NFP cohort.
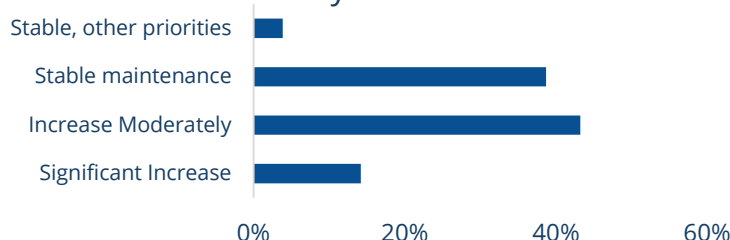
Current state of culture

Strategy and organisational culture are

- Exactly aligned
- Nearly there
- In progress
- Evolving significantly

0% 10% 20% 30% 40% 50%
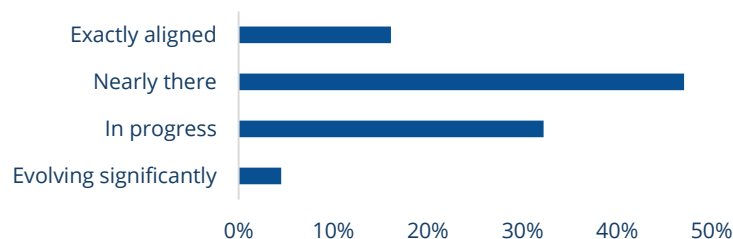
84% of leaders say they need to improve strategic alignment between culture and strategy, compared to 85% across all NFPs.

Changes to culture

Expected culture efforts over next three years

- Stable, other priorities
- Stable maintenance
- Increase Moderately
- Significant Increase

0% 20% 40% 60%

86% of leaders rank culture among their top 3 priorities, 95% believe enhancing it adds value, yet only 57% plan to improve it - fewer than the 65% of all NFPs.

Culture and strategy alignment: leaders' perspectives on misalignment

Alignment of culture with strategy: agreement levels on key statements

- Culture is continuously evolving in response to internal/external factors
- We intentionally align organisational culture with our strategy
- Leadership capability needs to be strengthened
- Leadership needs to invest more time to develop the culture
- Culture has not caught up with changes in the operating environment
- Insufficient allocation of resources to support cultural initiatives
- Insufficient learning and development opportunities hinder culture
- Cultural values are not fully aligned with our operating needs
- Inefficient workplace interactions (time spent building consensus, etc.)
- Communication practices do not effectively support cultural values
- Employees are not fully committed to the culture
- Ineffective change management slowing down cultural adaptation
- Policies work against culture (e.g., compensation, reward, etc.)

■ Agree ■ Neutral ■ Disagree

0% 20% 40% 60% 80% 100%

Of leaders whose culture is not aligned with strategy, 82% intend to align it. Another 85% cite evolving external and internal factors, while close to 60% emphasise the need for leadership to invest time in culture and need to strengthen leadership capabilities - similar to the overall NFP cohort.

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Why is organisational culture important

Key factors in determining the effectiveness of organisational culture

- Key factor
- Little or no effect
- Works against
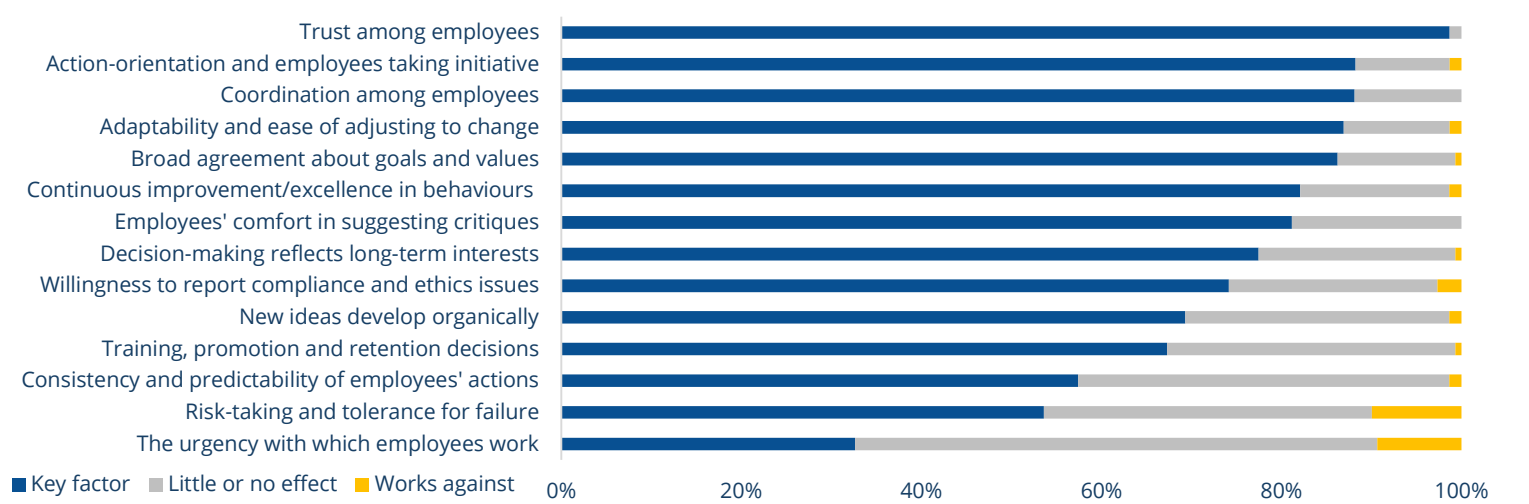
Trust among employees is key to cultural effectiveness, along with action orientation, taking initiative and coordination among employees. Between 10%–20% note that risk-taking, tolerance for failure, and urgency of work hinder cultural effectiveness.

Exhibit and understand culture

The percentage of employees that understand and exhibit their culture

42% of leaders report staff misunderstand or act against the desired culture, matching 42% across all NFPs.

Identical M&A targets, one misaligned

Offers for culturally aligned vs. misaligned target
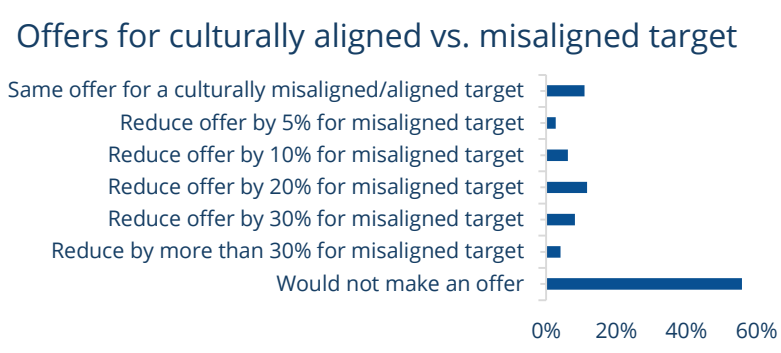
56% would not make an offer on the culturally misaligned target and another 33% would reduce an offer between 5% and more than 30%, slightly lower than in all NFPs.

Most influential factor setting culture

Annual assessment of culture
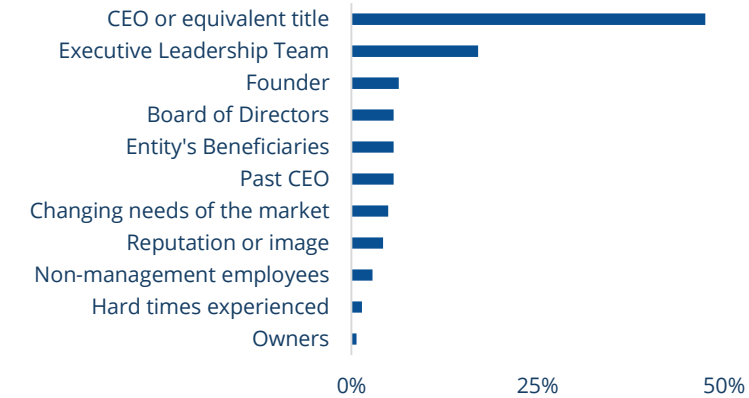
Leaders in organisations with 10-19 employees view the CEO as the most influential in setting culture, similar to all NFPs.

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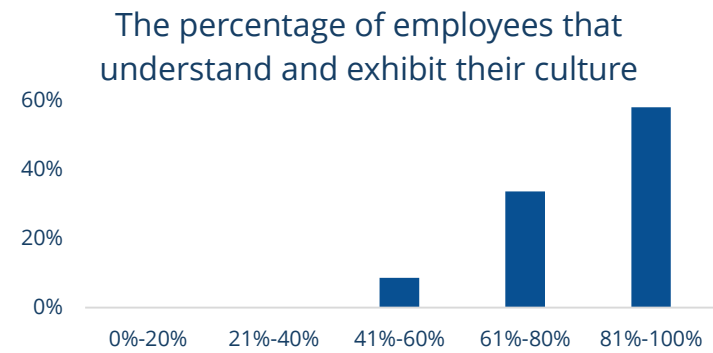
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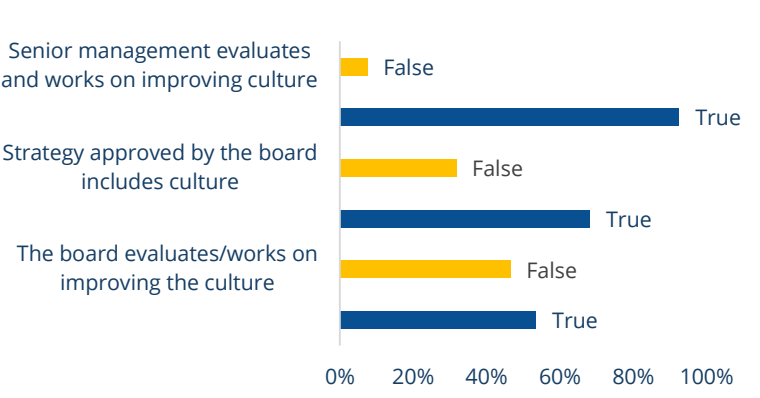
Not-for-profit

Exemplifying values: performance reviews, discretionary pay, & promotion

Employee behaviours reflect values included in performance reviews

- Yes
- No

Employee behaviour linked to discretionary pay

- Yes, for senior staff
- Yes, for senior & middle management
- Yes, for all staff
- No

0% 20% 40% 60% 80%

Behaviour a key criterion to advance to senior role

- Yes
- Usually & technical expertise
- Sometimes & other factors
- No

0% 20% 40% 60% 80%
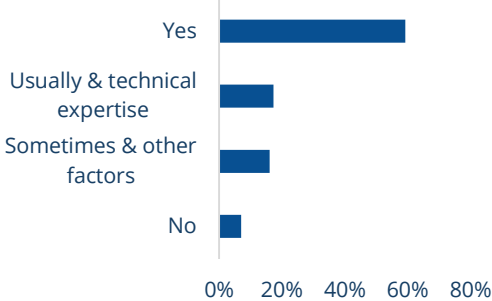
93% of organisations include whether employees exemplify their values in performance reviews, and 26% link discretionary pay to employee behaviours (compared to 28% of all NFPs). A further 59%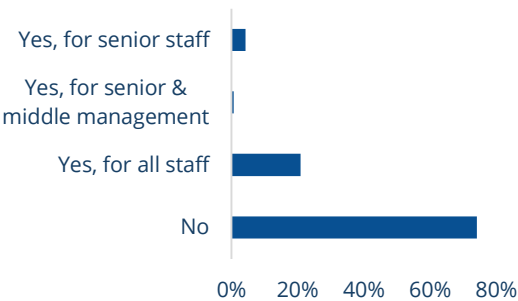 consider exemplifying values a key criteria for moving into senior management (compared to 61%). Smaller organisations less frequently assess employee values and tie both discretionary pay and job progression to the demonstration of these values.

Investment style

Project investment style

- Growth Higher Risk Strategy
- Stewardship Strategy

46% of leaders prefer a growth or high-risk strategy compared to a stewardship approach. 74% agree that culture drives project selection compared to 81% in the all NFP cohort.

Culture: risk, long-term and ethics

- Culture influences orientation towards the near or long term — No / Yes
- Culture influences how projects are chosen/invested in — No / Yes
- Culture influences how investment risks are taken — No / Yes
- Ineffective culture raises the risk of unethical/illegal behaviour — No / Yes

0% 20% 40% 60% 80% 100%
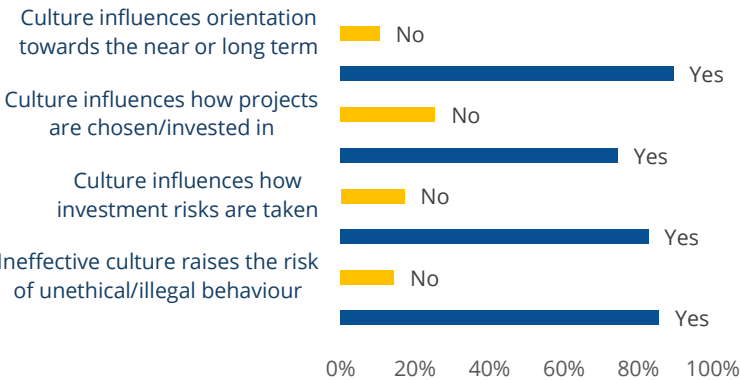
74%+ leaders agree culture impacts long-term orientation, project investment style, how calculated risk is taken, and ethical behaviour, marginally lower than the overall NFP cohort.

Short-term leader incentives

- 80% or more
- 60-79%
- 40-59%
- 20-39%
- 1-19%
- None

CEOs noted that, while they are not motivated by monetary incentives, they see incentives as signals. Despite 46% investing with a growth style, only 12% have STIs, similar to overall NFPs.

Short-term staff incentives

- Senior staff
- Senior staff & middle management
- All staff
- None
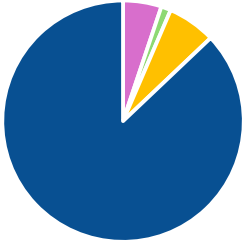
Staff incentives align with those of leaders. While aligning incentives with a growth mentality can strongly signal support for the 46% with a growth approach; it is not always feasible for NFPs.

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Impact of various factors on organisational culture effectiveness

Incentive compensation
Governance system (meeting frequency, risk forums etc)
Executive Team behaviour
Middle management behaviour (if applicable)
Employee behaviour

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

■ Reinforce   ■ No impact   ■ Works against
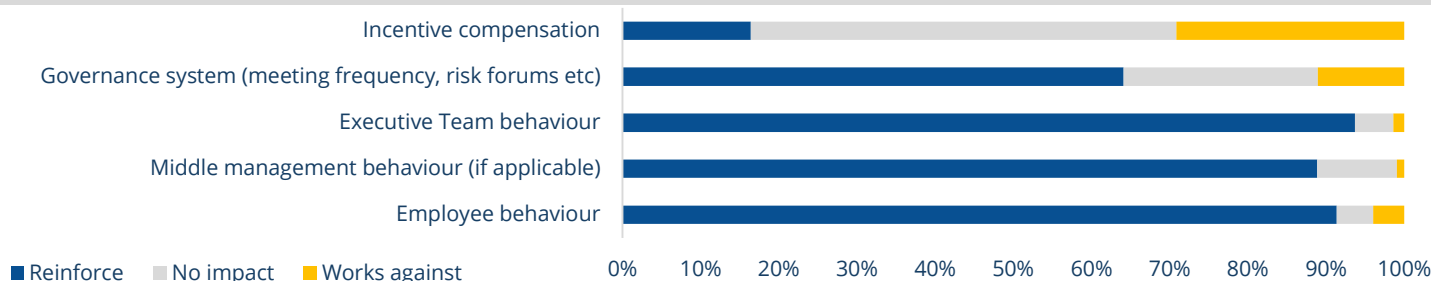
Leadership and employee behaviours are the strongest reinforcers of culture. However, the impact of incentive compensation is mixed only 16% view it as reinforcing, while 29% believe it works against organisational culture.

Reasons incentive compensation and governance work against culture:

Incentive compensation

Undermines teamwork/insufficient for performance.
Incentivises the wrong behaviour
Attracts/retains wrong people
Focuses on short-term objectives
Focuses on imperfect metrics
Leads to fear of failure/insufficient risk-taking

0   10   20

14 leaders say incentive compensation incentivises the wrong behaviour, 15 note it undermines teamwork or is insufficient for performance and a further 12 cite it attracts and retains the wrong people.

Governance system

Strategic and cultural mismatch
Ineffective communication
Inconsistent behaviours
Misaligned on long-term focus
Agenda misaligned with strategy
Lacks diversity
Misaligned with core values
Does not support diversity
Risk appetite mismatch

0   2   4   6   8
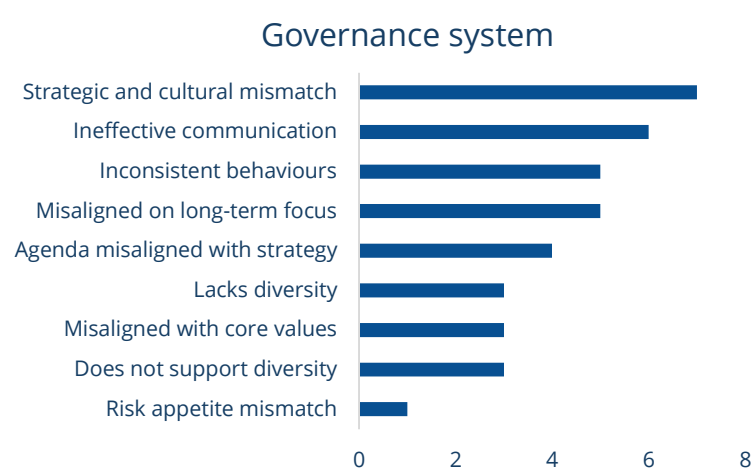
6 leaders say a strategic and cultural mismatch works against governance, followed by ineffective communication (6), inconsistent behaviours (5), and misaligned long-term focus (5).

Support for flexible work arrangements

Flexible work options provided

Flexible hours (choose start and end times)
Part-time or reduced hours options
Work-from-home options
Shift management (shift swapping and staggered...

0% 20% 40% 60% 80% 100%

Flexible work arrangements

Leaders: Flexible hours
Leaders: Part-time/reduced hours
Leaders: Shift management

Employees: Flexible hours
Employees: Part-time/reduced hours
Employees: Shift management

0% 25% 50% 75% 100%

Leaders widely support flexible work arrangements. For employees, part-time or reduced hours are most common, followed by flexible hours. Among leaders, flexible hours lead followed by part-time options. Working from home options are also supported.

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Optimal in-office days to support and nurture organisational culture

Leadership teams

- Leaders do not need to be in the office, 10%
- 1 day per week in the office, 1%
- 2 days per week in the office, 6%
- 3 days per week in the office, 29%
- 4 days per week in the office, 38%
- 5 days per week in the office, 16%

Administrators

- Administrators do not need to be in the office, 11%
- 1 day per week in the office, 2%
- 2 days per week in the office, 8%
- 3 days per week in the office, 40%
- 4 days per week in the office, 26%
- 5 days per week in the office, 13%

Leaders and administrators in 10-19 employee NFPs are more likely do slightly more in office hours to maintain culture, compared to the overall NFP cohort. In both cohorts, leaders are required in the office more frequently than administrators, indicating a need for leadership visibility.

Applications of AI technologies across organisational functions

Organisations using AI

- 25%
- 36%
- 38%

- No
- Something we are considering
- Yes, currently
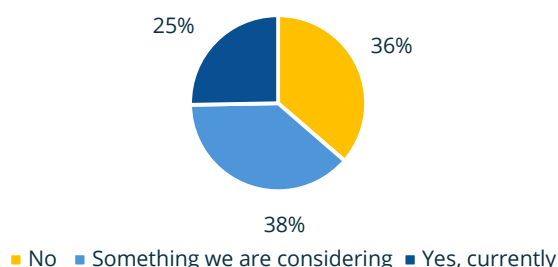
Investments in AI by function by those using and considering AI

- Data analysis
- Communication with customers
- Automation of processes
- Products Services
- Other areas

Categories: Robotic Process Automation, Edge AI, Computer Vision, Explainable AI, Natural Language Processing, Advanced Machine Learning, Generative AI
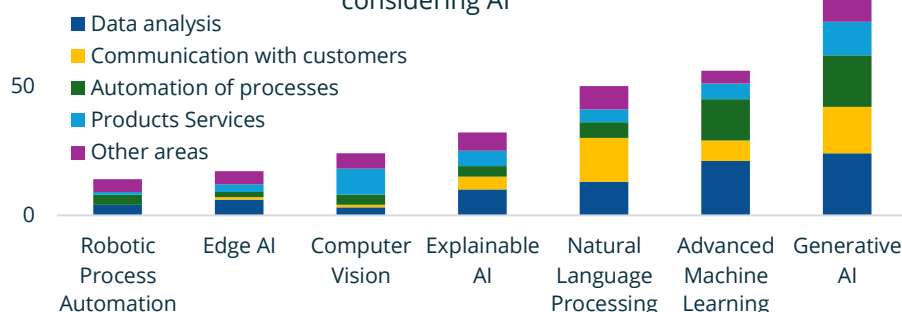
In 10-19 employee NFPs, AI adoption is slightly lower, with 25% using it compared to 27% across all NFPs, and 38% considering it, similar to the 39% in the overall cohort. Among responding leaders, generative AI is the most frequently selected focus area, particularly for data analysis, communication, and automation of processes.

How AI adoption is expected to influence organisational culture

- Enhanced collaboration tools and platforms
- Increase data-driven measurement of organisational culture success...
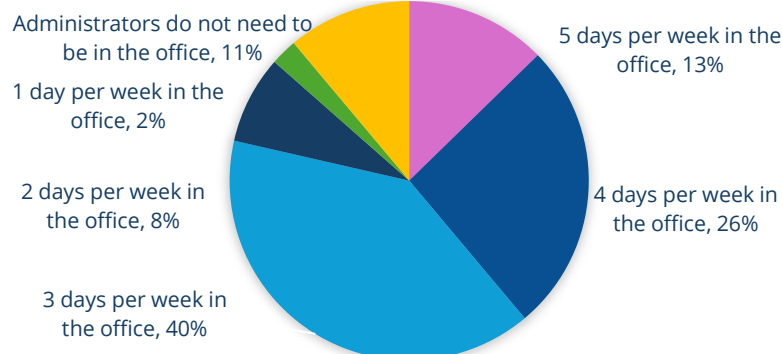- Shift towards more innovation and adaptability across roles
- Adaptability and resilience through predictive analytics, strategic...
- Empowerment and autonomy
- We do not expect any significant changes
- Monitoring staff (e.g. communications for wellness)
- Reducing human bias in hiring, promotion and incentivisation
- Flatter organisational structure (e.g. removing roles)
- Employee concerns over job security
- Less interpersonal engagement for employees

Leaders adopting or considering AI most commonly expect its cultural impact to enhance collaboration tools and platforms, improving communication and teamwork. This is followed by an anticipated increase in data-driven success measurement, likely leading to more informed decision-making based on productivity and performance.

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How leaders spend their time on organisational culture

Modelling desired behaviours
Setting and communicating vision and core values
Fostering a sense of belonging/community
Health, mental health and wellness
Enhancing communication and collaboration
Promoting ethics, compliance, and safety
Work-life balance/flexible working
Employee development and training
Understanding and addressing worker needs
Leadership development and succession planning
Aligning culture to strategic objectives
Fostering key cultural strengths
Diversity, Equity, and Inclusion
Environmental, community and social responsibility
Monitoring and adapting organisational culture
Recognising/rewarding performance

■ NFP Average
■ Time spent on culture

0.0%   2.0%   4.0%   6.0%   8.0%   10.0%   12.0%   14.0%

10-19 employee NFPs spend more time modelling desired behaviours and fostering a sense of belonging and community.
In contrast, the overall NFP cohort places greater emphasis on setting and communicating vision and values and monitoring organisational culture.

How leaders measure outcomes and value from organisational culture

Health & Safety: incidents, accidents
Performance: KPIs, revenue growth, customer satisfaction
Customer Engagement: satisfaction, loyalty, social sentiment
Well-being: stress, absenteeism, wellness participation
Employee Surveys: eNPS, pulse checks
Values Alignment: value surveys, recognised behaviours
Financial Efficiency: cost savings, efficiency gains
Talent Management: turnover, time-to-fill, referrals
Quality: defect rates, customer satisfaction
Diversity, Equity, inclusion: representation, inclusion scores, pay...
Leadership Alignment: 360-feedback, culture surveys
Development: leadership programmes, promotions, mentorship
Productivity: project completion, income per employee, efficiency
Conflict Resolution: conflict frequency, resolution rates
Quality Improvement: projects, defect reduction
Environmental Impact: recycling, energy, water use
Change Readiness: change management surveys, adoption rates
Benefits Utilisation: enrolment, wellness, flexible work
Innovation: employee suggestions, patents, new products

■ NFP Average
■ Measures of cultural success

0%   10%   20%   30%   40%   50%   60%   70%   80%

In 10-19+ employee NFPs, there is a stronger focus on well-being, values alignment and leadership alignment. This cohort places less emphasis on health and safety, customer engagement and financial efficiency.

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Ethics-centric policies and processes

While 10–19 employee NFPs lead strongly in some areas, such as regular communication and reinforcement of values, the overall NFP cohort leads in others, including codes of conduct, diversity, equity and inclusion, and sustainability and environmental initiatives.

People-centric policies
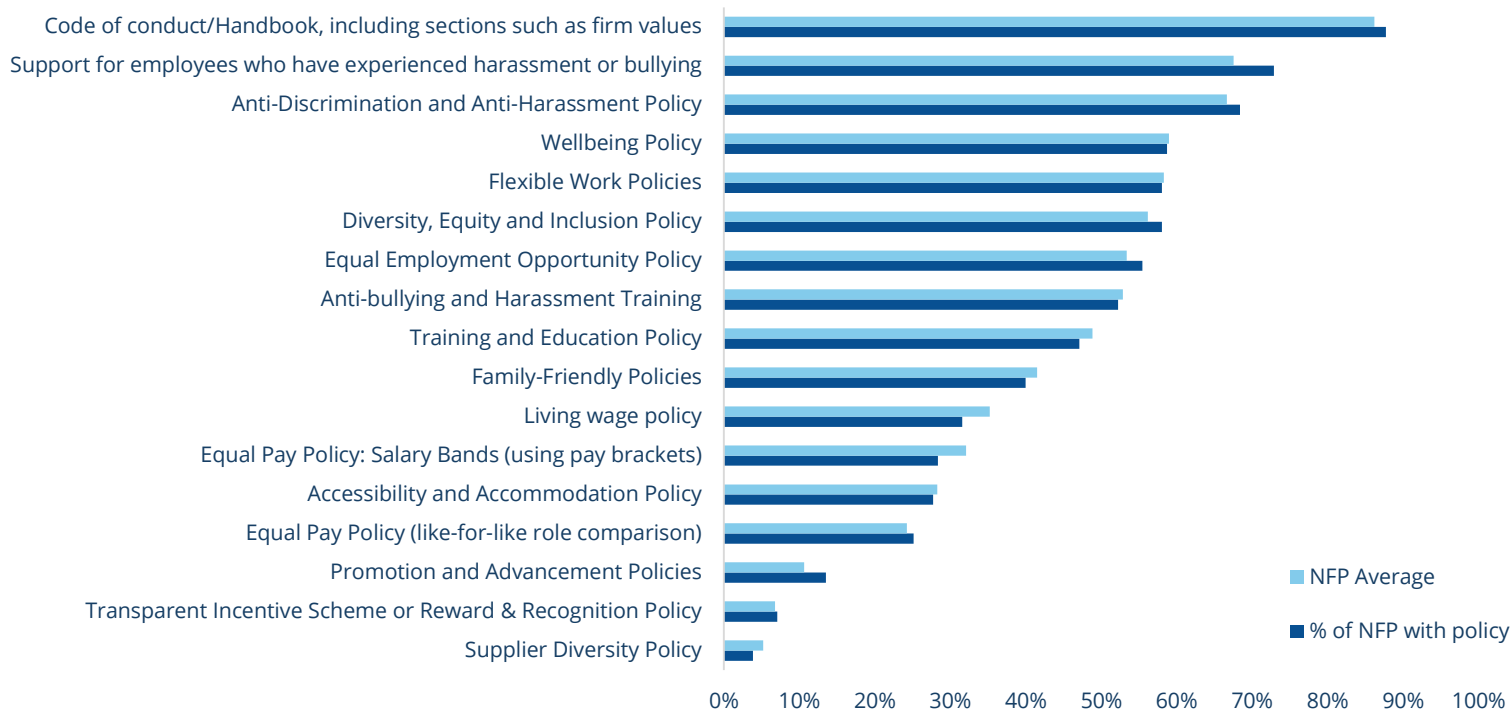
10–19 employee NFPs have slightly more of certain policies, including diversity, equity and inclusion, and equal employment opportunity. The rest of the NFP cohort has more training and education policies, family-friendly policies, and living wage policy.

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Not-for-profit

Formal channels for reporting culture   Ability to invest in culture

Reporting recipients of culture measurement metrics

The board	
The executive leadership team	
No formal reporting	

0%   20%   40%   60%   80%

Culture metrics are primarily reported to executive leadership and the board, with 26% having no formal reporting.

Freedom to invest as much as required in culture to maximise its value

■ No   ■ Yes

54% of leaders feel they can invest enough in organisational culture to realise its full value (compared to 55%).

Barriers to investing in organisational culture to maximise value

100

50

0

Lack of Leadership Support | Turnover Disrupts Continuity | Unclear Culture Strategy | Ineffective Communication | Remote Work Challenges | Resistance to Change | Inadequate Measurement Tools | Competing Priorities | Time Constraints | Limited Financial Resources
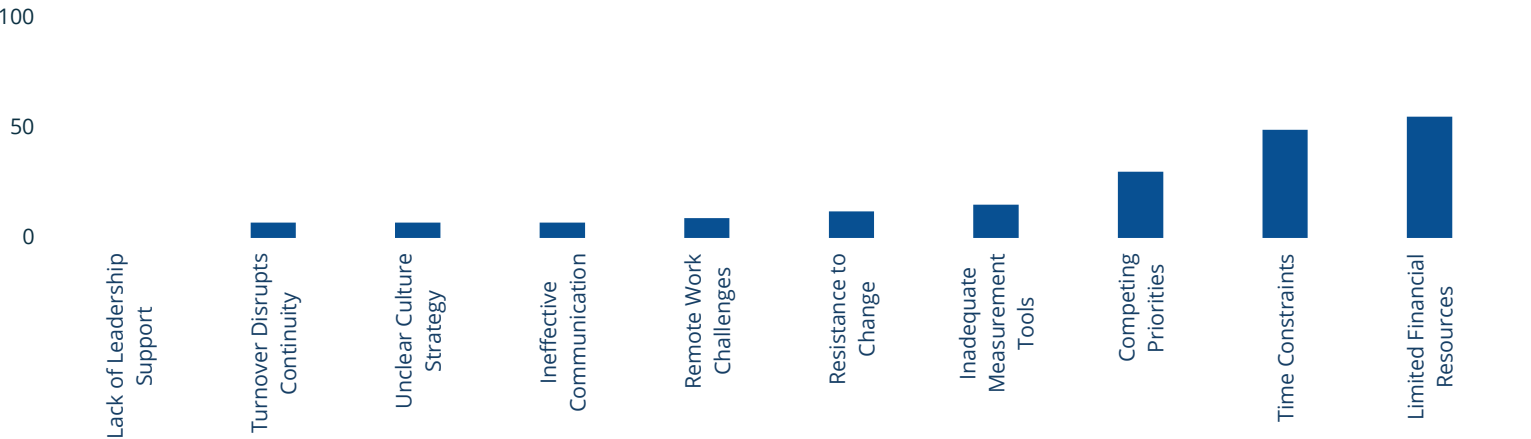
Based on selection frequency, limited resources, and time constraints are top barriers to investing as much as needed in culture. For larger organisations, competing priorities is a more significant issue than time constraints.

Summary of culture and its impact on various factors

Service provision	
Productivity	
Satisfy primary stakeholder	
Long term orientation	
Ethical choices	
Efficiency	
Attract/retain talent	
Flexible working	
Part-time workers	
Compliance	
Taking calculated risk	
Working from home	
Managing downside risks	
AI users/considering use	
Adoption of AI all	

0%   10%   20%   30%   40%   50%   60%   70%   80%   90%   100%

■ Large +ve Impact
■ Moderate +ve Impact
■ Small +ve Impact
□ No impact
□ Small -ve Impact
■ Moderate -ve Impact
■ Large -ve Impact

Blue shades indicate varying degrees of positive impact, grey is neutral, and yellow shades varying degrees of negative impact.

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